Is Creation an Industry? A Constructive Critique of the Economics of the Cultural and Creative Industries

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Abstract

This paper offers a suggested framework for formulating economic policy for the cultural and creative industries. It argues that both the cultural and (recently-defined) creative industries are not a recent phenomenon but historically central to the development of the modern industrial economy.

It shows that, in terms of conventional economic theory, these industries are a 'proper economic sector': they have a distinctive resource, production process, and output. There are therefore sound theoretical reasons to explain their present dynamism, notably the productivity revolution brought about by remote and multiple service delivery (internet, telecomms, broadcast etc)

It defines this distinctive resource, process and output. The 'product' is culturally differentiated goods and services. They are therefore central to the reproduction of culture and hence have to be the object of policy whether or not there is market failure, because culture is a legitimate area of social and political concern.

The production process is 'flexible production of short life cycle goods to an abstract or imperfect specification' which reverses the paradigm of Fordism. Cities, particularly global cities, have become the decisive location for this new form of industrial organization and special attention has to be given to the the city's cultural and creative infrastructure.

The primary resource is creative human labour. This is a necessary resource and special attention has to be paid (in policy) to catering for it and creating the infrastructure it needs to function.

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PART 1: METHOD

> "You are a clever, generous man, Dymov," she would say, "but you have one very serious defect. You take absolutely no interest in art. You don't believe in music or painting." "I don't understand them," he would say mildly. "I have spent all my life in science and medicine, and I never had time to take an interest in the arts."
>
> "But that's awful, Dymov!" "Why? Your friends don't know anything about science or medicine, but you don't hold it against them. Everyone does his thing. I don't understand landscapes and operas, but the way I look at it is that if one lot of sensible people devote their lives to them, and another lot of sensible people pay immense sums for them, they must have a use. I don't understand them, but that's no reason to disbelieve them."
>
> Anton Chekhov, *The Grasshopper*

Introduction

This article asks whether there are economic grounds to treat the Cultural and Creative Industries as an economic sector or, more precisely, an industry.

I conclude that there are such grounds. The cultural and creative industries use a common resource, organized in a distinct process to produce a distinctive product. The common resource is *creative labour,* an innately human activity specific to the formation and transformation of culture. The cultural and creative industries mobilise this to produce a specific type of product or use-value, *culturally-differentiated goods and services.* In consuming culturally-differentiated artefacts, such as fashion, film, performances, buildings, art, and so on, people fulfil two interlinked purposes: they enjoy themselves, and they establish a *community of taste* with those who enjoy themselves similarly, differentiating themselves from those who enjoy themselves otherwise.

Information and Communication Technology (ICT) has transformed the scale of these activities by revolutionising the *service relationship*, which previously required humans to be close or in contact, and can now be delivered over distances to indefinitely large numbers of people. These changes have removed material limits to the productivity of services.

This has generated a new technological paradigm, spanning a variety of previously distinct activities, to create a homogenous whole with a new structure of industrial organisation. This structure delivers to an *abstract and imprecise specification*, epitomized in fashion, in contrast to the concrete and precise specification epitomized in

Henry Ford's 'any colour you want, as long as it's black'.

Based on these twin ideas of culturally differentiated product and imprecise specification, I define more precisely what creative activity consists of. I conclude it is a specific type of human activity that enters (like 'mental' labour, of which it is a form) to a greater or lesser degree into the production of all goods. It is the primary requirement for producing to abstract and imprecise specifications, where the task in hand is inherently *non-automatic*, and cannot be accomplished by a machine or by mechanising – assembly-line style – the performance of labour.

To summarise so far, the cultural and creative industries produce culturally-differentiated products to abstract and imprecise specifications, employing predominantly creative labour to do so. This has become a rapidly growing branch of the division of labour – an industry – as a result of the remote and multiple delivery of services.

This leads to changes in which types of enterprise or activity should be considered 'creative' from an economic point of view. I conclude that the 'cultural industries' and 'creative industries' are parts of a single whole. I conclude that 'popular' creative and cultural activities, notably sport, should be included once it is recognised that the defining attribute of the cultural and creative industries is the production of differentiation. I conclude that an integral and paradigmatic element of these industries has been omitted, namely computer software. This omission is wrong for two reasons: software writing is creative, as defined above, and is integral to the technological changes that have brought about the recent rapid growth of this industry.

I finally argue that the concept of a cultural and creative industry, thus defined, better captures the emerging economic reality that we have inherited from the last century than the contradictory and inadequate categories of the 'knowledge economy' and the 'information economy' that have dominated late 20th Century discourse on the shape of the modern economy. These are based on the erroneous idea of amalgamating two superficially similar but essentially opposed activities: the *mechanical* transmission or *automatic* processing of electronic data by inanimate devices, and the *creative organisation of social relations* by human agency.

What is an industrial sector?

I base my argument on the conventional meaning of the words 'industry' or 'sector', which are economically well-defined. I will show that the cultural and creative industries conform to this definition – that they pass a test of 'industry-hood' implicit in the way economists commonly speak of industries or sectors. However, a study of this common usage shows that these words are significantly more problematic than usually recognised. Economists and non-economists alike are far too ready to assume that the idea of an 'industry' is so well-defined and established that existing industries, such as agriculture, manufacturing or financial services, offer some kind of pre-existing benchmark of good practice, against which upstart new candidates can be judged and found wanting. The idea that existing industries are defined in an economically coherent manner in fact falls well short of the mark, once we study how this definition is done.

Actually, the economy is in a state of constant evolution, changing the economic landscape in ways that the existing, set classifications do not always capture. As a result, attempts are constantly being made to define allegedly new economic branches in an

effort to capture new structures in formation. An example already given is the so-called 'knowledge economy'. Others abound: recent attempts include a putative innovation sector, the life sciences, and the environmental sector. [1] On this, the US Bureau of the Census (1993:§5.3) notes:

> Changes in industrial classifications interrupt the continuity of associated time series. But economic classification systems cannot remain unchanged indefinitely if they are to capture the full scope of constantly evolving industrial and business activities in our economy. As Peter Struijs (Williamsburg Conference [10], p. 14) stated, "...changes cannot be measured appropriately when the measuring instrument is changing constantly, but not changing it reduces the significance of information on the industrial structure.

Reactions thus come from two quarters I will call *fools* and *angels*.

For the fools, rushing is everything. Dynamic thrusting markets throw up exciting new trends in communication, industrial organisation, social structures and not least, profit opportunities, faster than the statistical eye can follow. We must classify, measure and monitor these new developments (and, ideally, make them the subject of public policy) before they melt into air under the relentless glare of modernity.

The angels' watchword is 'tread carefully'. The present statistical order is tried and tested. It was good enough for our ancestors, and it is good enough for us. New-fangled industries, with rafts of performance indicators and global comparators, have no economic justification, lead to more confusion than insight, and serve no purpose beyond transferring hard-earned taxpayers' money from gullible public servants to the pockets of unscrupulous consultants.

Both views have their merits, suggesting an orderly debate is needed, which calls for some rules. I suggest three principles: *testable grounds*, the *level playing field* and the *barndoor principle*.

Testable grounds says that there has to be evidence that a sector exists. It is a bad idea to invent an industry just because it has become fashionable or developed a convincing argument for public support. The level playing field principle says new candidates should be judged on the same basis as existing ones: we cannot exclude the creative sector on grounds that would rule out the service sector, though nor can we include it on grounds that do not apply to at least one existing sector. Finally, the barndoor principle says a big enough target will show up in any classification which captures at least one empirical characteristic. We do not need to be too concerned, therefore, that the candidate industry is perfectly measured. If there really is an industry in the making, we do not need a 100% perfect statistical system to find it, because a genuinely new industry spreads its presence so wide that it is impossible to miss. And studying the grounds for its inclusion is probably the best way to define it more accurately.

The method of this article

These three principles determine my method. I propose to examine the *grounds* for treating other groupings of enterprises as industries, and ask if they apply to the creative and cultural industries.

To clarify, I consider two possible objections. The first, from the camp of the fools, is the

[1] More cautious are crosscutting taxonomies such as Pavitt's classification of 'innovating firms' (see for example Archibugi 2002) without proposing these should be defined as a specific sector.

sui generis argument: the creative industries are new and excitingly different. This is self-defeating: the cultural and creative sector qualifies for 'industry-hood' on existing grounds. They are an industry because they *are* like any other industries. Otherwise, why treat them as an industry at all? A platypus is classified as a mammal not because it lays eggs unlike all other mammals, but because like all other mammals it is warm-blooded and suckles its young even though it lays eggs.

The second objection, from the camp of the angels, is the *statistical heritage* argument. The existing definitions may be suspect, but they provide an invaluable resource for economists because the data goes back much farther in time than for new industries. This is unsurprising, since not being old is the most easily provable consequence of being new.

The answer to the second objection is surprisingly straightforward: neither the cultural nor the creative industries are new. Actually, they predate manufacture, agriculture and 'services', to which the statisticians usually confine themselves. People have being paying money for culture since antiquity. Creation is as old as, well, creation. Culture and creation should be recognised as an industry not because they have just arrived, but because they have always been there. The problem is only that we have not noticed them.

Culture and creation in the history of the modern economy

Why haven't we noticed them? Discussion on the meaning and role of culture, creativity and civilization has preoccupied social sciences for centuries, but have only recently captured the attention of economists. The term 'cultural industry' dates back to Adorno's and Horkheimer's (1947) classic work, when national accounts were in their infancy, the US classification system was 11 years old and the UK system had not yet been invented. Their ideas in turn arise from a distinction of the German Enlightenment, on which Elias (1997) has written extensively, between 'civilisation' and 'culture', which gave rise to the idea that culture is a productive activity.

The real issue is not that an industry has sprung into existence, but that modern history has brought an old one to our attention: it has brought to light the mildly distasteful fact that cultural products are economically valued. They are not only a product of labour, usually hard manual labour, but one that consumers pay sometimes sensational amounts of money to obtain.

Cultural artefacts are the primeval form of *wealth* in its most fabulous form – treasure. As Tolkien's Gollum attests, treasure is 'precious'. But what bestows the quality of preciousness? Not metal and stone, but the unique and delightful forms into which they are wrought by intelligence, taste, and labour. Even coins and notes carry ritual symbols of reputation.[2] Wealth, arguably the most basic category of economics, in its most primitive form exists as a mass not just of materials, nor even just labour, but creative labour.

Moreover cultural artefacts have driven the development of productive forces from antiquity to modernity. Weber's idea that abstinence is the foundation of the capitalist system, living on in the prejudice that only homogenous material necessities are 'true' economic goods, have obscured the critical role of cultural products played in its origins.

[2] In the monetary reform carried out in the kingdom of Castile between 1680 and 1686, new currency was issued including a monogram of Mary on the back with the words '*Protectione Virtut*'. Among the grounds were that debasement-weary Castilians were more likely to trust the Virgin than King Philip. See Jefferies (2008).

Theatre was, essentially, the world's first Just-In-Time production process. The book, and print, is the industrial product to which many attribute the origins of modernity. The modern world trading system which fuelled the early city-states of Venice and Genoa, and the subsequent emergence of Flanders and the Netherlands as the epicentre of early capitalism was set in place by rise of luxury and artistic consumption among the new merchant, industrial and yeoman classes who saw, in the purchase and flaunting of fine things, a way to 'prove' their social status by means of products in the face of a dominant social class which defined itself by birth. Kippen (2004) records that "Merchants who were princes in wealth, rather than by birth, were able to outstrip true nobility. Extravagance became so universal that the church and crown thought it necessary to put a check on the ostentatious display of the newly rich." As Braudel (1979:351) notes:

> The history of dress … poses all problems, those of primary materials, of processes of manufacture, of cost price, of cultural fixities, of fashion, and of social hierarchies… nothing could prevail against the *parvenu* passion for wearing clothes which, in the west, were the first sign of the slightest social promotion… It was the same in the most mediocre quarters. At Rumegies in Flanders, near Valenciennes, according to the curate's diary, rich peasants sacrificed all luxuries for dress. "young men with hats encrusted with gold and silver, and then the rest: girls with foot-high coiffures and other habits in proportion."

Clothing was the heart and soul of the industrial revolution. The huge majority of mechanical inventions were constructed to make it and the very first 'manufactury', established in 1772 in the Pennines, was Arkwright's Water Frame.

The history of the industrial capitalism is almost a history of textiles. In 1733 John Kay invented the flying shuttle, followed in 1760 by Higham and Hargreaves' Spinning Jenny. Arkwright's water frame was followed in 1783 by Cartwright's power loom. Boulton and Watt's steam engines were first deployed massively neither in mines nor in trains but powering this same device. By 1802, 4 -5 per cent of the national income of Britain came from textile manufacture. In 1812 the UK workforce contained 100,000 spinners and 250,000 weavers and cotton accounted for 8 per cent of GDP. By 1830, 48% of UK exports were cotton textiles. Manchester by 1860 had acquired the name 'cottonopolis'. Cotton was undisputedly the single product at the centre of the American Civil war.

The automation of pattern-making lies at the origins of computing in the creatively automated patterns of the Jacquard Loom, which inspired Ada Lovelace to devise the world's first punched card computing system. The drive for industrially reproducible colour gave birth to the modern chemical industry. The movies and the gramophone record rival the car for the post of status iconic industry of the twentieth century.

Cultural and creative activity constitute, in short, an *economic factor*.

The communications revolution and the new technological paradigm

We have now started to notice the role of culture in industry because recent technological changes have forced us to deal with our previous error. As I will show, the cultural and creative industries have become a centre of radical growth. I argue that this new phenomenon instantiates what Perez (2003) terms a socio-economic paradigm – a combined a technological and social transformation arising from the rapid growth of a significant new technology. Previous examples are the effects of steam machinery from 1830, electrical machinery and products from 1890, or the changes wrought by oil-fired

devices that became known as Fordism.

It should be evident that the *scale* of cultural production has undergone a radical change and it is important to understand why. It is, I think, wrong to see the cause as a purely physical increase in communication or automatic processing, which is why I think the ideas of the 'information revolution' and 'knowledge industry' are misleading.

Economically speaking, the decisive change is in the *productivity of services* arising from their *remote and multiple delivery*. Until the telephone, services – interactions between humans – were a subordinate part of the economy because proximity was required to deliver them. Either producer and consumer needed to be physically next to each other leading to the paradigm of *performance* (musical performance, theatrical performance, teaching, games or, to take an example outside the creative matrix, *meetings*), or several consumers needed to be physically next to the same product, leading to the paradigm of *display* or *exhibition* (for example art works, buildings, jewellery and fashion). The advent of electronic communication, spanning a wider and wider range of human senses, has transformed both performance and display by removing limitations of both distance and quantity. A performance or a display can be viewed by an arbitrary number of people in an arbitrary number of places.

The effect has been over- and mis-stated in the idea that 'time-space compression' is rendering distance and boundaries irrelevant. This takes quasi-Messianic forms in Marshall McLuhan's (1966) early vision:

> After three thousand years of explosion, by means of fragmentary and mechanical technologies, the Western World is imploding. During the mechanical ages we had extended our bodies in space. Today, after more than a century of electronic technology, we have extended our central nervous system itself in a global embrace, abolishing both space and time as far as our planet is concerned. (cited by David Harvey in Held and McGrew 2000:84).

As Harvey (2000:86) perceptively counters '[T]he central paradox [is that] the less important the spatial barriers, the greater the sensitivity of capital to the variations of place within space, and the greater the incentive for places to be differentiated in ways attractive to capital.' Actually, the thirst for physical proximity has *risen* with the new technology. The city has been re-invented, the hollowed-out inner-city centres of the 50s becoming the most sought-after and desirable locations for living and working alike.

Remote delivery has created a hierarchy of service quality. Face-to-face meeting and live performance are the greatest premium whilst mere broadcast is the lowest. The exponential rise in quantity of direct human interactions has raised, not lowered, the demand for the most immediate and high quality interaction: inhabiting the same space.

Cultural production is overwhelmingly urban. Producers have developed a new mode of industrial organisation in which the flexibility needed to deliver ever greater varieties of experience for consumers is achieved by ever greater variety of interaction between them, concentrating them in a close physical space – the modern city – which also becomes the venue for the most sought-after experiences of display and performance.

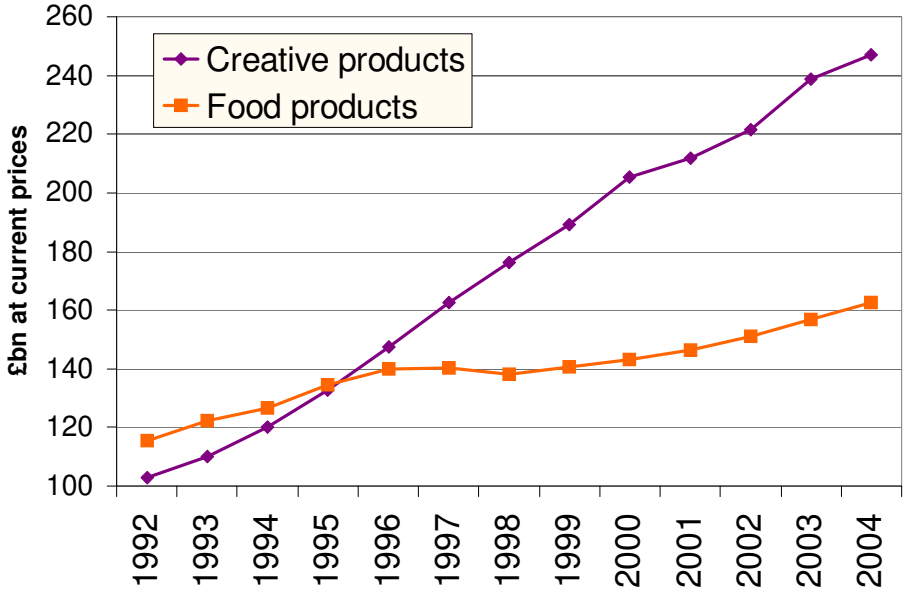
This has brought to our attention a fact that was always present, but which until now has been accorded a secondary or non-existent status: namely, creative activity is actually a distinguishing feature of human existence. We are human because our nature can neither to our purely animal past, nor to the mechanical artefacts we have recently created. Creation is a defining feature of human existence, and economists ignore it at their peril.

There is therefore no sound ground to exclude either culture or creativity from economic calculations, any more than digging into the ground, working a machine, or sitting in an office. There is to the contrary a case for treating culture as the quintessential outcome, and creativity as the quintessential activity, of what makes production and consumption distinctively human social, political and economic activity.

PART 2: EVIDENCE

Not by bread alone: mass cultural commodity production

Chart 1 demand for creative and food products in the UK 1992-2004



Source: Office for National Statistics I-O tables 2004

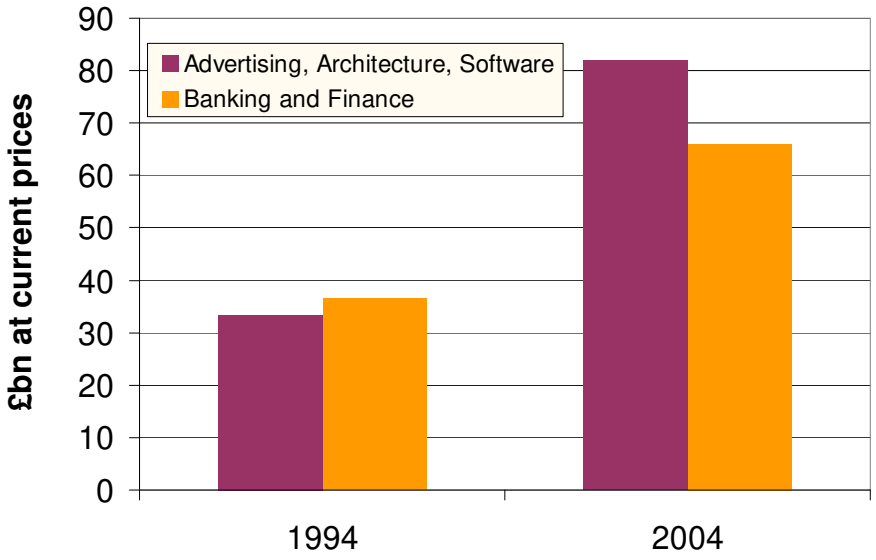
In 2000 British households, for the first time, spent on average more money on leisure than on food, the share of leisure products having risen from 11.2 per cent of household income in 1980 to 17 per cent in 2000. According to the measure of creative industry output published by the Office for National Statistics,[3] the average annual growth rate of GVA at current basic prices for the creative industries, between 1992 and 2004, was 6.7 per cent compared with 5.5 per cent in the economy. This growth is understated by the low growth of the manufacturing component of this output which grew at 1.3 per cent, while the services component grew at 8.0 per cent.

In comparison, the output of the food sector as defined by the ONS grew, between 1995 and 2004, at an annual average rate of 3.8 per cent. In 1996, the demand for creative products at £147bn for the first time exceeded that on food at £140bn. By 2004, the figures were £247bn and £163bn respectively. The creative industries contribution to GVA at £92.0bn reached 8.8 per cent of the total compared with food at £80.3bn, 7.7 per

[3] http://www.statistics.gov.uk/downloads/theme_economy/Input_Output_Analyses_2006_edition.pdf . All GVA figures in current pounds unless otherwise stated. ONS estimates of output differ from DCMS estimates. They are consistent with other industrial sectors and the national accounting framework of the UK, so when the purpose is to make comparisons, they are more robust.

cent of production.

Chart 2 demand for 'business-led' creative products



Source: Office for National Statistics I-O tables 2004

In a parallel development, intermediate business spending on creative products (architectural services, software and advertising) rose from £33bn to £81bn and investment in these products from £6.8bn to £16bn. The British public, according to UNESCO, in 2004 attained the unexpected status of the world's most cultured consumers

The growth also has employment consequences. According to DCMS estimates, UK creative employment reached 2.1mn by 2000. In London, by 2001 there were 394,300 people working directly in creative industries and a further 131,100 working creatively outside these industries.

Britain's particular success notwithstanding, the phenomenon is a worldwide one.[4] UNESCO records that between 1980 and 1998, imports of cultural goods as a proportion of all trade rose from 2.5 per cent to 3.8 per cent when the world total reached $213.7 bn. This broke down as follows:

Table 1: growth in world imports of cultural products

Product Type	Annual average growth 1980-1998 (per cent)
Printed matter and literature	7.1
Music	10.4
Visual Arts	6.3
Cinema and Photography	6.4
Radio and Television	8.4
Games and Sporting Goods	11.3
Total Cultural	8.7

[4] http://www.uis.unesco.org/TEMPLATE/pdf/cscl/International%20Flows.pdf

Total World Imports	6.2

A new mass body of monetary demand, catering for tastes previously regarded as elite or luxury, has emerged over the last 10-20 years.

Despite complex differences the creative industries possess a striking number of features in common. They are urbanised and centred in the large metropolises. London contains 32 per cent of all creative employment compared to 15 per cent of total employment. Large world cities – New York, Tokyo, Los Angeles, Paris, Berlin, and increasingly 'Southern' cities such as Singapore, Beijing, Shanghai, Moscow and Mumbai have all become growth centres. They are characteristically high-value added, with output per person substantially above the general average, and a tendency to rise faster. Between 1995 and 2000, output per employee in the creative industries as a whole rose from £27,600 to £34,600 (an annualised rate of 4.6 per cent) compared with £24,100 to £25,900 for the UK as a whole over the same period.

This underlines a fact that several commentators have noted: the creative industries are *empirically coherent*,[5] behaving very similarly. With few exceptions, they rise and fall together; they are high value-added, involve intellectual property, and use the distributed risk-handling contracts described in Richard Caves' (2000) *Creative Industries: contracts between Art and Commerce*. They locate in the same places, and use a similar and often interchangeable workforce.

This strongly supports the idea that they are the outcome of some common process. The barndoor principle is relevant: something so big is going on that it is only possible to miss it if we fail to pay attention.

What makes an industry industrial? the barndoor principle at work

With the above in mind, the first logical question to ask is: what common economic factors might generate the empirical coherence of the new growth industries? The best way to unearth these common factors is therefore to ask what qualifies existing sectors as 'industries' and ask if this helps explain the coherence of the new growth areas.

At first sight, the idea of an industrial sector appears intuitively obvious. This is a problem, because it is not in fact obvious.

Consider three traditional sectors: Agriculture, Manufacturing and Transport. What makes each a 'sector'? The first, uncritical and intuitive answer is that they each produce a single type of product. Agriculture produces food, transport produces transport, and manufacture produces manufactures.

But do they? The agricultural sector is not really defined not by what it produces, but where its produce comes from. No product characteristic really unites food, cotton and wood. The first is eaten, the second is worn and the third is a construction material. Even the land itself is hardly an arbiter of agricultural status, or mining and oil extraction would count as a peculiar kind of farming.

What about manufacture, arguably the central category of industrial classification

[5] The first to draw attention to this empirical coherence was probably Richard Caves (2000) in a detailed and seminal analysis of the industrial and structure of the creative industries and the nature of contracts between creative producers. GLA (2002) noted the similarity in patterns of growth across the creative industries, and attention is drawn to it in Hutton et al (2007)

systems? You can no more eat what tractors make than plough a field with a toaster. Manufacturers do not even use a single, common, resource such as the land. What unites them is a *process* – they set machinery and labourers to work in a single physical location.

Surely, at least transport at least creates a single product? It produces the utility of moving things from one place to another. But now there is no common resource, other than motive power. Nor is there a common process: transport uses land, sea or air, and only by a stretch of the imagination can it be said that flying is a kind of rolling or sailing a kind of walking. The *only* thing that unites transport providers is the utility they offer.

So what actually makes an industry into an industry? The answer is: because the statisticians say so. Their classification system is described in NACE/SIC the manual (ONS 2003) as follows:

> The main criteria employed in delineating divisions and groups (the two and three digit categories, respectively) of NACE concern the characteristics of the activities of the producing units… An activity is said to take place when resources such as equipment, labour, manufacturing techniques, information networks or products are combined, leading to the creation of specific goods or services. An activity is characterised by an *input of products (goods or services), a production process and an output of products*.

Thus *any one of* common inputs, common process, or common products may define an industry. And as we have seen, few industries possess all three.

The reader should thus abandon any hope that there is any pre-existing 100% scientific classification system to hand. The system is a compromise. Yet, Johnson might well have remarked, the surprising thing is that the system works at all. By and large, industries produce what they are supposed to, and products come from where they are expected. For 102 of 123 products listed in the 2004 I-O tables, more than 80% of that product is produced in a single sector. Conversely, for 87 of 123 industrial sectors, a single product is more than 80% of the output of that sector, and makes up 57.9% of the output of the least specialized sector, organic chemicals.[6]

Why should this be? The most plausible explanation is that the classification system captures something real about the economy it refers to in spite of itself. There would appear to be economic forces tending towards specialization which, by and large, outweigh the forces tending towards product diversification. The most likely reason that tractor companies do not make shirts, and shirt companies do not make tractors, is that economies of scope and scale drives them to confine themselves to what Porter (1998) terms a 'core business'. There is always a parallel tendency to diversification, but at the level of the productive unit at least, specialization dominates.

The question is, then, can we see these same tendencies to specialisation at work in the creative industries, and do they exhibit common features in their inputs, processes or outputs? In fact, I will show, they manifest all three.

PART 3: THEORY

What is a cultural industry?

Do the cultural and creative industries share a common input, produce a common output,

[6] This is treated in more detail in McVittie (2007) and in Bakhshi, McVittie and Simmie (2007)

or use a common process? Actually they do all three. The problem is to understand *what* this input, output, and process consist of, since although each has been examined separately by economists, they are rarely looked at together.

The specific use, I argue, is a *differentiated*[7] cultural product. A consumer buys a ticket for a film, a game, a play or an exhibition, and wants to see *that specific* film, team, play, or exhibition. Each artwork, each pair of shoes and even each performance or night out, is in effect a different product. The consumer of cultural products actively seeks this difference.

In the world of books, music, film, theatre, art, video and, not least, fashion, the consumer in choosing a genre, brand or style defines him or herself as part of a community of persons that share the same tastes.[8]

This is directly obvious with, say, dancing, eating or clubbing, and is visible in visits to the opera, the theatre or a meal out, each with its associated codes of dress and style, in which the *company* is always an element – in events such as Opera or the Rocky Horror Show, as decisive as the action itself – a vital factor in the continued popularity of live performance. Nowhere is it more obvious than in sport, which makes this a prime candidate for cultural-creative status. It may be thought that contact with the crowd is the defining feature of cultural-creative distinction, but if anything, the capacity to invest symbolic meaning is most required of a product when the community cannot be seen, a point which preoccupies Benedict Anderson (2007) in his *Imagined Communities*. In this work he asks (but, it has been argued, does not answer) [9] the question: how and why are communities of class and nation established, since the people concerned cannot see each other? Hesmondhalgh (2007) indeed regards the attachment of symbolic significance as the primary function of cultural production.

As Bertil Ollman points out,[10] the role of even such mundane objects as flags play a critical role in this respect. Alongside this we find the paraphernalia of symbolic national identification: anthems, types of sport, 'national' literature, iconic institutions and figureheads. Dress goes well beyond fashion in establishing community, and revealing one's face has been turned by the West into a frontline symbol of its values.

This has a direct parallel in cultural products in the form of *loyalty*. Where a viewer watches a particular television programme or listens to a CD track, she or he consciously or unconsciously seeks out the fact that others also will watch that programme or like that music. This is the basis of fan clubs, genre websites, social chat groups at work and numerous other manifestations of collective cultural choice. It is also the basis on which billions of dollars are spent worldwide establishing brands, trends, stars, reputations, and all the other devices by which creative producers establish communities defined by taste.[11]

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[7] I am indebted to Bridget Rosewell for pointing out the centrality of differentiation in what the creative industries do.

[8] Since cultural differentiation is always present, how do we know which products are cultural-creative? This makes it particularly problematic to decide exactly which part, for example, of the textile industry should be treated as fashion and which as mere clothing. Generally speaking the industry *itself* makes the distinctions, containing a mass-production sector in which distinction is relatively unimportant, a designer sector, a brand sector, and so on up to elite categories like *haute couture*.

[9] See Desai (2008)

[10] See for example http://www.nyu.edu/projects/ollman/docs/interview03.php

[11] Indian words such as pundit, mogul and guru have acquired particular status, perhaps arising from the richness of differentiations to be found in India's history, or maybe the Western penchant for exoticising both cultural products and the Orient.

It may be thought that the issue is simply one of individual taste: I like Disney and you like Almodovar. If so, the Disney Corporation has wasted an exorbitant amount of money establishing the brand of its characters, and we should either be very surprised it is so well off or, disputably, conclude that Mickey Mouse and Happy Feet are intrinsically artistically superior products. Disney has created cultural distinctions, not just listened to them. Distinctions are themselves a *product* of the industry.

What is the social function of culture?

The elevation of distinction into a product leads to the most hotly-contested area of discussion in the arts: if all taste is relative, what good is it? John Carey's (2006) superbly iconoclastic *What Good are the Arts*? demolishes many claims (beginning surprisingly late in history)[12] that the arts are intrinsically useful. He dismisses, with good evidence, almost every idea so far advanced that there is something intrinsically good, elevating, or improving for the human character about art. His most impressive chapter demonstrates that Hitler, cast by many as a failed minor painter, was an exceptionally knowledgeable and dedicated aesthete for whom art was a central objective of human existence. How, Carey forces us to ask, can we claim an objective or transhistorical basis to declare art good, if it is recognised and mobilised by social forces considered evil and backward by every other criterion?

Carey summons many personages to his casting audition: philosopher, scientist, sociologist, aesthete, critic, pietist and politician. One character he does not bother to call is the economist. Duly humbled, the economist submits something he appears to have overlooked: wrongly or rightly, people pay for culture. As Dymov notes, we do not need to know why people choose to pay for something, in order to recognise that they find it useful. The whole point of cultural differentiation is to escape the judgement of others, or to be more precise, to choose one's judges. In the market, *society* establishes it has a use, even if consumers cannot clearly state what that use is.

This suggests we should shift attention from forlorn attempts to judge whether art or culture is good, to looking at the social effect of producing and consuming it. There is widespread agreement that a critical function of culture is in the *reproduction of society*. Thus Freud (2004:110):

> We know that human culture, by which I mean everything in which human life has risen above its animal circumstances and in which it distinguishes itself from animal life (and I refuse to separate culture and civilization) shows the observer two sides. It includes on the one hand all the knowledge and skill that humanity has acquired in order to control the forces of nature and obtain from it the goods to satisfy human needs, and on the other hand all the institutions that are required to govern the relations of human beings to one another and in particular the distribution of such goods as can be obtained.

Obviously, there are things about society that we consider good and things we consider bad, some things we would like to keep and some things we would like to change. This is a matter of ethical or political judgement. No 'science' outside of society tells us whether Gordon Brown will make a good Prime Minister, in the same sense as telling us whether an aeroplane will fly. It is thus not surprising that science cannot tell us what is good or bad art, since it is simply another of the several institutions that keep society in existence.

We may of course wish to observe whether the social choices that arise from art, whether

[12] Carey notes that Plato places the arts second from bottom in a list of useful human practices. One of the curiousities of the western classical tradition is the value it places on Greek art, which in no wise reproduces the attitudes of the Greeks themselves.

as a commodity or handed out through public or communal institutions, are *consistent* with other ethical choices. If society judges that equality is important, and if at the same time pays fabulous sums of money to buy works of art, then we do not need to agree whether this money is worth it, to judge that society may wish to provide equality of access, by means of galleries and the like, to what it clearly judges important.

By the same measure if society judges personal freedom to be important, and if people are willing to pay perhaps smaller sums of money to buy other types of art, then it would be a consistent thing to find ways of making sure they are free to do this. Again, we do not need to make a judgment on whether their choice is a good one, in order to find a rational basis for such a policy.

Equally if fascist bands produce racist songs, then society is entitled to excoriate and indeed suppress them, not because they are bad *art* but because they are bad *culture* – because racism is no more acceptable in the field of art than it is in the sphere of politics or society.

This becomes more complicated when commodified culture becomes a player in reproducing contested parts of society such as its classes or its power structures. Judgements on the merits or demerits of these classes and their actions become mixed up with artistic judgements. Writers such as Bourdieu (1979) and Elias (1997) emphasize how artistic distinctions buttress and maintain communities *directly* associated with class or status.

This merely shows us, however, that in the form of the market in cultural products, such relations that we think of as purely political or purely social, in fact receive additional determinations in the market, which may be contested there just as in the public sphere. Hesmondhalgh (2007:2003-4) thus criticizes the role of media moguls such as Rupert Murdoch in shaping the editorial content of the newpsapers they control.

> Murdoch revived the strategies of direct control associated with the press barons of the early twentieth century, such as Northcliffe, Beaverbrook and Hearst (the man on whom Orson Welles based *Citizen Kane*). Murdoch would apparently rewrite leaders that were insufficiently supportive of the hard right Prime Minister at the time, Margaret Thatcher, and removed left-leaning or moderate conservative editors. He exerted pressure on his liberal editor at *The Times* by refusing to fix an editorial budget and thereby gaining the chance to approve any editorial decision that needed significant spending.

Artistic and cultural choices are of course influenced by the preferences or actions of the owners of the cultural or creative industries. It is well-known that Walt Disney's characters gave expression to a his personal and particular vision of conservative middle-class American values.

The point is, however, that these are merely particular features of the cultural-creative commodity. They do not make it into something *other* than a commodity. Why should it be surprising that culture, along with material existence, is reproduced through market relations as well as through social and political ones? At the end of the day, the market is simply another institution, and as such its ultimate function, like all others, is the production and reproduction of society.

Cultural-creative commodities, then, are commodities that play the particular role of creating, shaping, maintaining and reproducing *social distinctions.* This is what gives rise to the particular and peculiar type of markets in which we find them. I now turn to a study of these.

A new type of market

The cultural and creative market is a new type of market. This requires us to revisit most basic assumptions of economics, but also to draw on its deeper insights, in order to identify how the nature of this market shapes the industrial structure which services it.

Differentiated price distinctions

Perhaps the most basic economic 'law' of the market is the 'law of one price' which suggests that a single price tends to establish itself, through competition, for a single type of use. It is on this basis that we speak, for example, of the 'price of fish' or the 'price of oil'. Actually this price is always an average of a range of prices – Sea Bass does not fetch the same price as Salmon, Brent Crude oil sells at a different rate from Forties, and so on. Nevertheless these products substitute for each other, limiting the range of variation. Once, however, cultural differentiation enters the field, each product becomes distinct and all bets are off. There is no such thing as the 'price' of a painting, yet there is clearly a price for seeing a film.

The reason for this is the productivity revolution in service delivery itself which removes natural limits on reproduction. Creative producers thus compete in two 'directions' – for market share, as with films, and for price, as with art and fashion.

Market behaviour is therefore quite different in the creative and cultural industries, and the search for brand, tied up with the search for reputation, becomes decisive. In consequence *novelty* becomes deliberately sought-after. The simplest way to make a product socially limited is to make it new; the limit on the size of its market becomes the time for which it is available.

The result is that creative products have an extremely short *life cycle*. The fashion season is essentially half a year; the life of a film is at most a few months, of a popular music recording perhaps a few weeks. This has come to dominate the management of many apparent exceptions hailed as universals – classical music, fine art, Shakespeare, museum displays, via the institution of the *exhibition*, which is actually a device for periodically changing the experience associated with a universal, introducing a life cycle also for inherited objects, lived out in its mode of display.

In consequence however, the speed of movement of the market becomes a decisive factor. The characteristic of all but a few creative and cultural products is thus *short production runs* and *timely delivery*. This in turn crucially shapes the nature of the modern creative production process.

The strange death of the individual consumer

Equally, the widespread economic assumption of 'methodological individualism' cannot apply. The consumer confronts the cultural market not as a purely private individual but as social being, whose likes and dislikes are defined with respect to the choices of others.

Consequently the price mechanism is no longer the main source of information available to agents. Consumers react to what *other* consumers are doing in making their choice: the market in cultural products is inherently social.

The consequence of both this and differentiated pricing is that the 'market' in cultural products transcends natural limitations. It is a purely social construction in every respect

including its production process. Its *costs* are decreasingly resource-determined and become increasingly costs of establishing taste. Dolce and Gabbana sunglasses are expensive not because they cost a lot to make, but because it costs a lot to sets them above other sunglasses. Their use consists of their exclusiveness and their cost consists in making them exclusive. The same is evident from Intellectual Property (IP), which is a social, not a naturally-determined construction. In particular, copyright payments are not real costs at all in the sense of labour, extractive or manufacturing costs. They are essentially a form of rent.

As a consequence, *investment* in creative products is, primarily, investment in second-guessing, understanding and managing social behaviour. Hence, for example, the advertising industry, whose essential function is to establish and manage tastes. Hence, also, the typical structure of the fashion industry which is has to identify and set trends in taste whose crucial inputs are no longer spinners, weavers, tailors and dressmakers, but designers, fashionistas, celebrities and brands. This gives rise to the 'economically' inexplicable behaviours of the creative market: branding, trendsetting, imitation, reputations establishment, the pundit, and so on.[13]

Managed disequilibrium

A consequence of price distinction and social choice is that markets of this type are intrinsically incapable of 'equilibrium', arguably the key construct of modern economics. The 'discovery of the new' is almost by definition the rejection of the old. *Iconoclasm* and *novelty* becomes characteristic product signifiers. Impressionism and German Expressionism began as rejectionist movements. The dream of every wannabe artist, , designer or even cook is to be new, that is different from what has gone before. The *process of change* dominates cultural markets.

For short life cycle products, dynamic behaviours dominate in the short run.[14] The creative industries overturn and reverse traditional economic ideas. Thus innovating ought to entail a 'negative externality'. An innovator sinks costs into research which place an idea in the public domain, at which point a competing enterprise can simply use the new idea without paying for the research. Innovating should therefore, according to traditional theory, pay a penalty so that research must be protected by public policy, by means of patent legislation to protect the researchers' investment.

But in the creative industries, this breaks down. The creator of a new product – be it a song, a film genre, a fashion item or even a designer must-have such as the I-pod or the Dysan – obtains what is sometimes termed 'first-mover advantage'. With a short life-cycle, the originator can capture the excess profits that accrue because consumers will pay for the new before the imitators can move in. In fact originators even welcome imitators, because this flattery confirms the iconic status of the original 'true' product. Gucci is rumoured to have consciously encouraged pirates to 'prove' the product was a leading brand.

[13] The 2007 Creative Economy Programme initiated by the UK DCMS has produced a detailed analysis of many aspects of this process.

[14] For long life cycle products, dynamic behaviours dominate in the long run, which is a different matter. See Freeman, Kliman and Wells (2004)

Intrisic uncertainty and symmetrical ignorance

Caves (2000) accurately describes a further essential particularity of the cultural-creative industries, the state of knowledge of the creative producer. Modern contract theory has evolved the idea of 'asymmetric information', but creative contracts embody what Caves terms 'symmetric ignorance'. Nobody actually knows, in advance, whether a product will succeed or not. This has obliged the industry to convert uncertainty into risk – it has to statistically quantify the prospects of success or failure. The film industry was perhaps the first to manage this process, building into its calculations a knowledge of the mix of flops, turkeys and smash-hits required to maintain an adequate return on capital. This produces a characteristic form of contract which Caves describes and which can generally be described as *risk-sharing contracts*.

The production process of the cultural industries

All the above features of the creative market have created a new industrial structure based on *rapid and flexible production to an abstract or incomplete specification.* The 'Fordist' paradigm was directed at producing the largest possible run of the most similar possible product, leading to Henry Ford's famous dictum. In contrast for the creative industries, flexibility is everything. A cultural producer must turn around, in the shortest possible time, a requirement to produce a small number of products to exacting criteria.

Moreover these criteria themselves are not defined in terms of the *physical characteristics of the product* but the *effect it has to have*. An assembly line is possible because every single characteristic of the car, down to the minutest detail, is foreknown. The production model is exact repetition of a complex but identical sequence of steps – in a word, automation.

For a creative product the sequence of steps is *never* the same, and is not foreknown. The creative producer starts from the effect required, and supplies – 'creates' – the missing sequence of operations by writing the book, producing the artwork, interpreting the music, or adding the decoration. It may be thought that this itself is at least semi-automatic since a musical score, a choreographed dance sequence, or a film or theatre script defines what the musician, dancer or actor must do, but this misses the point. Since the *aim* is differentiation, what the consumer seeks is precisely the capacity of the musician, the dancer and the actor to vary the rules and to interpret the automatic sequence *differently* from another musician, dancer or actor.

The actor, the stage-manager or the lighting designer conform to the script, but bring to it their own particular knowledge and experience in order to create the desired effect. This penetrates every layer of the creative production process. Increasingly, every participant in a creative production is her or himself called on to be creative. The requirement of differentiation, of flexible production to an abstract or incomplete specification, becomes the *sine qua non* of the sought-after provider.

Yet when the curtain goes up, everything must work. The presses must roll, the performers must be assembled, the building must open. 'Lights, camera, action' is the watchword of the new paradigm. This is a fundamental new moment in the evolution of the *differentia specifica* which for Marx singled out humans from beasts: their capacity to plan. The constructions of the bees, he noted, are every bit as complex as those of

humans. But what distinguishes humans from bees is that before they build, first they plan. First they conceive, in their minds, what it is they are going to do.

But 'planning' in the sense of the old modernity, is exactly what the creative artist does not do. What she does is imagine; she creates in her mind, not the picture of the whole edifice, but the image of the effect it will have. The *differentia specifica* of creative humanity is one stage beyond the Victorian engineer. Creation does not automate the the specification of what it is going to do – it shapes a new reality around it.

The industrial characteristics of cultural production

These requirements have created a new industrial structure organised around flexibility. Caves singles out the 'motley crew' characteristic of the creative production process as decisive. Any given product requires a multiplicity of creative inputs: one needs only stay for any film while the credits are rolled to see just how varied these are.

This combines with a characteristic which Hesmondhalgh (2007) terms 'cultural autonomy'. I will liberally and perhaps wrongly interpret this as follows: In each sphere of creative production, specialist skills and experiences are concentrated and the user of these skills must accept that she or he cannot exactly or precisely determine *how the job is done* – only what the result is. This result, in turn is as we have noted defined abstractly and imperfectly.

For this reason the characteristic form of cultural industry organisation is through the *team* – a specific organization of a variety of inputs and activities, frequently contracted out and put together for the purpose of a single product. This gives rise to an entire range of functionaries whose role is in the organisation of teams: the impresario, the producer, the director, the scriptwriter, the choreographer. The team retains the creative character of the undertaking despite having a management structure, because of the centrality of interpretation.

This gives rise in term to two requirements of the industry. The most important is *proximity*. This aspect of the effect of globalisation has been severely understated. Creative industries are concentrated because, in order to put together teams from the widest and most diverse range of producers, the team organizers have to find the required talents, skills and experiences on hand, and interact with them directly. This feature has led to the 'city factory' replacing the 'factory city'. In contrast to the industrial city of the past containing a huge army of near-identical providers of a single narrow range of skills, be it car-building, mining or ship-building. For the modern global city *diversity* is everything for the cultural producer: she or he seeks the widest possible range of providers within a walk or a taxi-ride of each other.

The second requirement is *flexibility*. Because each product is different, each team is different, and the specific combination of team members is never the same. This has often eluded traditional research – for example, a great deal of the innovation in the creative and cultural industries takes place not within the providers but in the relations between them. Asking a camera crew, a print shop, an architect company or a designer house whether it has innovated misses the point: when we examine the process by which a film, brochure, building or new product emerges we find that the innovation lies in the what the producers have been asked to do, or how they have been put together.

The reverse tendency is to be found in the formation of cultural and creative

conglomerates. This tendency, however, confirms the rule. What does the modern media conglomerate do? In what respect does it differ, for example, from the global car firm? It lies precisely in its social role. The media conglomerate does not concentrate in its hands the *means to produce the material product*. It concentrates the *means to produce the social status*. The most decisive requirement, to control risk, maximize sales, and maintain market dominance is not the number of CDs or articles of clothing that the company can produce on machines to which it is happy to outsource its production, but its control of names, brands, product lines and reputations. The modern cultural conglomerate is a *social,* not a *material,* organizer.

The nature of creative labour

To summarise what has so far been said, the cultural and creative production process is arranged to produce a distinctive product and, because of the distinctive type of market generated by this product, has evolved a distinctive type of production. The product is culturally differentiated goods, and the production process is flexible manufacture, with a short life cycle, to an abstract or imperfect specification. What is the resource that this calls on? My answer is: its workers. The cultural and creative industries have emerged as specialist users of *creative labour.*

Some indications of this specialisation are already evident in the geographical concentration of the creative industries. Writers such as Richard Florida (2002) have already drawn attention to the exceptional concentration of creative workers in particular sites, above all large urban centres which are also the site of extensive diversity – places where many gays, many ethnic groupings, many cultures are to be found. The GLA's research revealed an altogether disproportionate weight of London and the South-East in the growth and presence of the creative industries. With this in mind we constructed a 'creative intensity index': a measure of the proportion of creatively occupied workers that also work in a creative industry.

The results are strongly indicative of a real process. In all regions except the East Midlands (where the decline of the traditional textile industries play an anomalous statistical role) and Scotland, creative intensity has risen over seven years by a factor of up to 50 per cent, to reach sizes between 40 and 50% of the workforce: clearly such companies are not hiring simple undifferentiated labour. Intensity is highest, and has grown fastest where creative production has itself grown the fastest: in London, the metropolitan centre.

Creativity as universal human capacity

This evidence, though it requires further study, strongly supports the view that a process of specialisation is under way, with creative labour as key resource. What is special about it? Is there a 'general creative human capacity' which is an input to all industries matching the definition above? From the data we have presented, yes. If so, then just as the oil industry is defined by its primary input – crude oil – there may be some justification for treating the creative industries in terms of their primary input – creative labour.

To shed light on this it is worth drawing attention to an ignored theorem in mathematical logic which explains both what is specific about the software industry and also why

creative labour is indispensible. The *Turing-Church theorem*[15] establishes that there are *problems with no general solution*. It is impossible to write an algorithm, for any but the simplest classes of problem, such that a new problem will not arise which the algorithm cannot solve. The theorem applies to 'real-life' problems that people really want to solve: for example it is impossible to write a general language translator. One can write a programme for any two particular languages, but one cannot write a programme that will apply to any arbitrary new language.

The specific nature of creative labour thus corresponds to the requirements of the cultural and creative industries: the extension without natural limits of the range of human experiences and hence the problems that producers need to solve.

As the saying goes, it's a wrap. The cultural and creative industries create a particular product – culturally differentiated goods and services. They employ a particular method – the flexible production of short-life products to an abstract or imprecise specification. And they use a specific resource – creative human labour. The curtain has risen on the world's oldest industry.

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[15] see for example Davis (1965)

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